REMARKS

Reconsideration of the application is requested.

Claims 1-15 are now in the application. Claims 1-15 are subject to examination. Claims 5, 6, 7, 10, 11, and 12 have been amended. Claim 15 has been added.

Under the heading "Claim Rejections – 35 USC § 112" on page 2 of the above-identified Office Action, claim 7 has been rejected as being indefinite under 35 U.S.C. § 112, second paragraph.

Applicant appreciates the indication of the informality and claim 7 has been amended to refer to claim 5.

It is accordingly believed that the claims meet the requirements of 35 U.S.C. § 112, second paragraphs. The above-noted changes to the claims are provided solely for clarification or cosmetic reasons. The changes are neither provided for overcoming the prior art nor do they narrow the scope of the claim for any reason related to the statutory requirements for a patent.

Before discussing the claim rejections in detail, applicant wants to point out that neither Mastman, Millard et al., nor Herz et al. teach a method of forming or defining an exchange traded fund. Applicant wants to point out that exchange traded funds and mutual funds are vastly different investment vehicles.

A share of an exchange traded fund behaves like and has the characteristics of a share of common stock. Owning a share of an exchange traded fund provides the owner with tax advantages compared with owning a share of a mutual fund. The owner of a share of an exchange traded fund incurs much lower management fees and expenses compared to the costs of owning a share of a mutual fund. Additionally, a share of an exchange traded fund can be bought and sold throughout the day, and even possibly during after hours trading, at a price that is instantaneously determined by supply and demand for the share of that particular exchange traded fund at that particular time. In contrast, the purchaser or seller of share of a mutual fund will not know the purchase or selling price until after the close of the day on which the transaction has been made. These advantages are but a few of the reasons explaining why exchange traded funds have become increasingly popular over the last few years with respect to mutual funds.

In order to assist the Examiner in understanding the features of an exchange traded fund, applicant has enclosed four (4) items of promotional material providing information about iShares, which is the largest exchange traded fund family, and which is managed by Barclays Global Investors. Applicant hopes the Examiner will find these materials helpful.

The enclosed informational materials, distributed by Barclays Global Investors, include:

AN INTRODUCTION TO EXCHANGE TRADED FUNDS, by Chamberlain et al. (certain items on pages 2, 3, 5, and 7 have been highlighted);

MORE ETFS MORE POSSIBILITIES. An introduction to iShares Exchange Traded Funds, (certain items on pages 3, 4, 7, and 8 have been highlighted);

A photocopy of a sheet entitled, "The Basics of EXCHANGE TRADED FUNDS"; and

A photocopy of a sheet entitled, "FREQUENTLY ASKED QUESTIONS about iShares Industrial Strength Investment Tools".

In addition to the four documents provided as informational materials, two other documents have been provided and these documents will be discussed later on in another section. One document is entitled iSHARES DOW JONES SERIES, iSHARES KLD INDEX FUNDS, iSHARES COHEN & STEERS REALTY MAJORS INDEX FUND (August 1, 2007). The other document is entitled, iSHARES DOW JONES SERIES (August 1, 2007).

Under the heading "Claim Rejections – 35 USC § 102" on page 2 of the above-identified Office Action, claims 1-4 have been rejected as being fully anticipated by U.S. Patent Application Publication No. 2002/0133447 to Mastman under 35 U.S.C. § 102. Applicant respectfully traverses.

Claim 1 includes steps of:

placing a plurality of the securities into the exchange-traded fund and weighting the individual securities within the exchange-traded fund in accordance with the associated dividend yields; and

offering for sale shares in the exchange-traded fund.

First, in contrast to the invention as defined by claim 1, applicant believes that Mastman does not teach or suggest weighting the individual securities within the exchange-traded fund in accordance with the associated dividend yields.

Mastman teaches weighting thirteen parameters to calculate a rating for a stock (paragraph 0010). Apparently certain buy parameters can be set and if these parameters are met, a notice to buy that particular stock is sent. It seems that sell limits can also be set and if these sell limits are exceeded, a sell alert is provided (paragraph 0012). Mastman only teaches sending buy and sell notices for particular stocks. As previously stated, Mastman does not teach or suggest weighting the individual securities within any type of fund or within an exchange-traded fund in accordance with the associated dividend yields.

Second, in contrast to the invention as defined by claim 1, applicant believes that Mastman does not teach or suggest placing and weighting securities in an exchange-traded fund, and offering for sale shares in the exchange-traded fund. In fact the Examiner has recognized this because in the discussion, the Examiner has referred to the background of the invention section in applicant's own application.

The Examiner has apparently assumed that it must have been obvious to have placed any collection of securities in an ETF by considering the statement in paragraph 0005 of the specification that the Examiner has referenced. That referenced statement merely discloses that an ETF is a collection of securities that may be traded on an exchange.

Applicant has not admitted that any collection of securities could be placed in an ETF. In fact in his admitted prior art, applicant specifically teaches that at the time of his invention, an ETF was similar to an index mutual fund that is tied to an index.

Applicant believes that the explanation already given should be enough to establish that the Examiner has incorrectly evaluated applicant's admitted prior art.

Additionally, however, applicant wishes to affirmatively state that at the time of filing his provisional application, he believes that all ETF's were all constructed as an index fund based on a broad market index or based on a sector, such as, energy, healthcare, technology, telecommunications, utilities, financial services, consumer goods, etc.

As evidence, applicant has enclosed a copy of the cover and of pages 35-36 of the combined prospectus for iSHARES DOW JONES SERIES, iSHARES KLD INDEX FUNDS, iSHARES COHEN & STEERS REALTY MAJORS INDEX FUND (August 1, 2007).

As evidence, applicant has also enclosed a copy of the cover and of pages 22-23 of the prospectus for iSHARES DOW JONES SERIES (August 1, 2007).

iSHARES is the largest provider of ETF's and applicant believes iSHARES was the first company to offer a broad offering of ETF's. The pages of both of the prospectus show the inception dates of what is believed to be their oldest ETF's. All of the ETF's that were in existence before applicant's provisional and non-provisional filing dates were started in May or June of the year 2000, and all of those ETF's were based on a broad market index or a sector. The criteria that was used to place a stock in an ETF was whether the stock was representative of the sector or part of the broad index. The inception date of the iSHARES DOW JONES SELECT DIVIDEND INDEX FUND is not until 11/03/2003, which is well after applicant's priority date.

Applicant believes that at the time of his application, it was only known to base an ETF on a broad index or on a sector.

Applicant believes it should be clear that the invention as defined by claim 1 is not shown or suggested by Mastman and is not shown or suggested by a combination of Mastman and applicant's admitted prior art.

Claim 15 has been added to even further distinguish the invention from Mastman. Support for the claim may be found by referring to examples 1-6 on pages 12-18 of the specification, which all show queries in which the <u>only parameter is the dividend yield</u>.

Claim 15 specifies that the step of rating the securities is performed by rating the securities based solely on the associated dividend yields.

In contrast to the invention as defined by claim 15, Mastman specifically teaches rating the securities by weighting thirteen parameters. See, for example, paragraphs 0017-0018 and paragraph 0005. There is no teaching or suggestion related to rating the securities based solely on the associated dividend yields.

Under the heading "Claim Rejections – 35 USC § 102" on page 3 of the above-identified Office Action, claim 10 has been rejected as being anticipated by U.S. Patent Application Publication No. 2002/0007335 A1 to Millard et al. under 35 U.S.C. § 102.

Some of the limitations of claim 12 have been added to claim 10. Support for the changes can be found by referring to claim 12. Additional support can be found by referring to the specification at paragraph 0046.

Applicant believes that, in contrast to claim 10, Millard et al. do not teach or suggest prompting the user for input specifying search parameters including a percentage yield and does not teach searching the network for securities matching the search parameters, which include the dividend yield.

The patentability of claim 10 will be further discussed under the rejection of claims 11-14 over Millard et al. in view of Herz et al.

Under the heading "Claim Rejections – 35 USC § 103" on page 4 of the above-identified Office Action, claims 5-7 have been rejected as being obvious over U.S. Patent No. 5,758,257 to Herz et al. in view of U.S. Patent Application Publication No. 2002/0007335 A1 to Millard et al. under 35 U.S.C. § 103.

Claims 5 and 6 have been amended. Support for the changes to claim 5 can be found by referring to the specification at paragraphs 0044-0047. Support for the changes to claim 6 is inherent in the claim as originally presented.

Claim 5 now defines a virtual securities broker including, inter alia:

a client system for <u>prompting</u> the customer to either select a predefined query specifying search parameters or to input the search parameters, the search parameters including a <u>dividend yield</u>; and

a server system programmed to <u>search</u>, via the Internet, for securities satisfying the search parameters and to transmit a search result identifying the securities satisfying the search parameters to said client system.

Herz et al. teach shortening the response times for retrieving certain stock market data by anticipating which menu selections the customer is likely to use and by downloading the information in anticipation of its likely use (column 51, lines 8-12). Herz et al. teach one particularly useful example in which recent stock prices and volumes could be retrieved (column 51, lines 12-14). Herz et al. do mention that a profile of a stock can be developed and that a dividend size could be part of the

profile (column 51, lines 14-19), however, it is believed that this dividend size is just information that may be downloaded in anticipation of its likely use.

Applicant believes that Herz et al. do not teach or suggest a virtual securities broker with the limitations of claim 5 listed above.

Applicant first points out that the dividend size mentioned in Herz et al. is a dollar amount and that is not the same as the claimed dividend yield, which is a percentage.

Additionally, Herz et al. do not teach or suggest a server system that searches for securities satisfying the search parameters including a dividend yield. Herz et al. merely teaches that that certain information related to stocks can be retrieved in anticipation of a likely future request for that information from the customer.

Also, there is no teaching of a client system that prompts the customer to either select a predefined query specifying search parameters or to input the search parameters, the search parameters including a dividend yield.

Applicant therefore believes that even if there were a suggestion to somehow combine the teachings discernable within Herz et al. and Millard et al., the invention as defined by claims 5-7 would not have been obtained.

Under the heading "Claim Rejections – 35 USC § 103" on page 5 of the above-identified Office Action, claims 8-9 have been rejected as being obvious over U.S.

Patent No. 5,758,257 to Herz et al. in view of U.S. Patent Application Publication No. 2002/0133447 to Mastman under 35 U.S.C. § 103. Applicant respectfully traverses.

Claim 8 includes a step of: weighting the individual securities within the exchange-traded fund in accordance with the associated dividend yields. Such a step is not taught or suggested by Mastman.

Mastman merely teaches weighting thirteen parameters of a particular stock to obtain a rating for a particular stock (paragraph 0010). Mastman does not teach weighting the individual securities within any type of fund or portfolio. Therefore, applicant believes that even if there were a suggestion to combine the teachings in Herz et al. and Mastman, the invention as defined by claim 8 would not have been obtained.

Additionally, even though the Applicant's admitted prior art is not listed in the rejection, the Examiner's comments in the third paragraph on page 8 of the Office action make it clear that the Examiner has relied on Applicant's admitted prior art to reject claims 8 and 9.

The Examiner has apparently assumed that it must have been obvious to have placed any collection of securities in an ETF by considering the statement in paragraph 0005 of the specification that the Examiner has referenced. That referenced statement merely discloses that an ETF is a collection of securities that may be traded on an exchange.

Applicant has not admitted that any collection of securities could be placed in an ETF. In fact in his admitted prior art, applicant specifically teaches that at the time of his invention, an ETF was similar to an index mutual fund that is tied to an index.

Applicant believes that the explanation already given should be enough to establish that the Examiner has incorrectly evaluated applicant's admitted prior art.

Additionally, however, applicant wishes to affirmatively state that at the time of filing his provisional application, he believes that all ETF's were all constructed as an index fund based on a broad market index or based on a sector, such as, energy, healthcare, technology, telecommunications, utilities, financial services, consumer goods, etc.

As evidence, applicant has enclosed a copy of the cover and of pages 35-36 of the combined prospectus for iSHARES DOW JONES SERIES, iSHARES KLD INDEX FUNDS, iSHARES COHEN & STEERS REALTY MAJORS INDEX FUND (August 1, 2007).

As evidence, applicant has also enclosed a copy of the cover and of pages 22-23 of the prospectus for iSHARES DOW JONES SERIES (August 1, 2007).

iSHARES is the largest provider of ETF's and applicant believes iSHARES was the first company to offer a broad offering of ETF's. The pages of both of the prospectus show the inception dates of what is believed to be their oldest ETF's. All of the ETF's that were in existence before applicant's provisional and non-provisional filing

dates were started in May or June of the year 2000, and all of those ETF's were based on a broad market index or a sector. The criteria that was used to place a stock in an ETF was whether the stock was representative of the sector or part of the broad index. The inception date of the iSHARES DOW JONES SELECT DIVIDEND INDEX FUND is not until 11/03/2003, which is well after applicant's priority date.

Applicant believes that at the time of his application, it was only known to base an ETF on a broad index or on a sector.

Whether or not that evidence is considered persuasive, applicant still asserts that the neither his admitted prior art, Herz et al., nor Mastman teach or suggest placing, weighting, or offering for sale securities in an exchange traded fund as required by claim 8.

Under the heading "Claim Rejections – 35 USC § 103" on page 6 of the above-identified Office Action, claims 11-14 have been rejected as being obvious over U.S. Patent Application Publication No. 2002/0007335 A1 to Millard et al. in view of U.S. Patent No. 5,758,257 to Herz et al. under 35 U.S.C. § 103. Applicant respectfully traverses.

As noted above, claim 10 has been amended. Support for the changes can be found by referring to claim 12. Additional support can be found by referring to the specification at paragraph 0046.

Support for the changes to claim 11 is believed to be inherent in the claim as originally presented. Additional support can be found by referring to the specification at paragraphs 0044 - 0046.

Support for the changes to claim 12 is believed to be inherent in the claim as originally presented.

Herz et al. teaches that if a customer exhibits a pattern in their request for information about stocks, their future requests for information can be anticipated, and the information can be downloaded before the user requests the information (column 51, lines 8-35). In this manner, the customer's waiting time can be decreased. Herz et al. teaches that the information requested can be information about the size of the dividend.

Herz et al. simply teaches decreasing the customers waiting time by downloading information before a request for the information, which may be information about the size of the dividend associated with a stock.

Claim 10 includes, inter alia, steps of:

> under control of the client system, prompting a user for <u>input</u> selecting from available securities with a history of dividend distribution, the <u>input specifying</u> search parameters including <u>a dividend yield</u>; and

under control of the server system, searching the network for securities matching the search parameters and transmitting search results to the client system.

Applicant again points out that the dividend size mentioned in Herz et al. is a dollar amount and that is not the same as the claimed dividend yield, which is a percentage.

In contrast to the invention as defined by claim 10, the data retrieval system of Hert et al. merely retrieves the requested dividend information. The retrieved dividend information is output - not input.

Also in contrast to the invention as defined by claim 10, the retrieved dividend information provided by the data retrieval system of Herz et al. is not a search parameter that is used to search the network.

Neither Herz et al. nor Millard et al. teach the steps of claim 10 that have been copied above.

Applicant believes it is clear that even if, for some reason, one were to combine the teachings of Millard et al. and Herz et al., the invention as defined by claim 10 could not have been obtained.

It is accordingly believed to be clear that none of the references, whether taken alone or in any combination, either show or suggest the features of claims 1, 5, 8, or 10. Claims 1, 5, 8, and 10 are, therefore, believed to be patentable over the art. The dependent claims are believed to be patentable as well because they all are ultimately dependent on one of these dependent claims.

In view of the foregoing, reconsideration and allowance of claims 1-15 are solicited.

In the event the Examiner should still find any of the claims to be unpatentable, counsel would appreciate receiving a telephone call so that, if possible, patentable language can be worked out.

Petition for extension is herewith made. The extension fee for response within a period of one-month pursuant to Section 1.136(a) in the amount of $60.00 in accordance with Section 1.17 is enclosed herewith.

Please charge any other fees that might be due with respect to Sections 1.16 and

1.17 to the Deposit Account of Lerner Greenberg Stemer LLP, No. 12-1099.

Respectfully submitted,

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MPW:cgm

December 12, 2007

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The BASICS *of*

EXCHANGE TRADED FUNDS

Exchange Traded Funds are among the fastest growing investment vehicles in the financial markets today, as investor demand for trading flexibility, transparency and efficiency increases. According to the Investment Company Institute, ETF assets grew from $36.8 billion in March 2000 to over $100 billion by the end of 2002.

WHAT ARE EXCHANGE TRADED FUNDS?

An Exchange Traded Fund (ETF) is a basket of securities that is bought and sold on an exchange like an individual stock. Similar in principle to index mutual funds, ETFs represent ownership in an underlying portfolio of securities that tracks a specific market index. ETFs, however, are neither purchased nor redeemed from a fund company directly, but are bought and sold during the trading day through a broker or in a brokerage account and, like stocks, can be bought on margin and sold short.

The unique and innovative structure of ETFs provides investors a convenient, cost-effective and tax-efficient vehicle to buy or sell an interest in a portfolio of bonds or stocks in a single transaction with no investment minimum or round lot purchase necessary.

iShares ETFs, managed by Barclays Global Investors, track nearly 80 different indexes—representing a broad market; small-, medium- and large-cap asset classes and the value and growth styles for each; sectors; global and international broad and country-specific indexes; and US fixed income. Indexing is not just the S&P 500 anymore. The comprehensive array of the iShares family of ETFs provides the investment tools to implement a sophisticated asset allocation strategy or a precise tactical solution in a quick, simple and cost-effective manner.

ADVANTAGES OF EXCHANGE TRADED FUNDS

Low Expenses. Expense ratios for Exchange Traded Funds tend to be significantly lower than those in traditional mutual funds. Lower expense ratios result in a lower deduction from investors' total return.

Diversification. With ETFs, investors are buying a basket of securities that capture an entire market or slices of the market broken down by capitalization, sector, style, country or region. Many view ETFs as an excellent means to remain invested in a favorite asset class or sector while moderating the risk of being completely exposed to the fortunes of a few companies.

Trading Flexibility. Since ETFs trade like stocks, they offer the same trading features of stop and/or limit orders, can be bought and sold short in margin accounts, and options are available on some ETFs. These features provide advisors and investors the opportunity to better manage their portfolio's risk.

Tax Efficiency. In the world of investing, some funds are more tax efficient than others, delivering higher after-tax returns for similar amounts of risk.

Traditional mutual funds, for example, are indeed "mutual" because investors purchase and redeem shares directly from the fund. The result—shareholders and fund managers are at the mercy of other investors in the fund when it comes to capital gains distributions.